

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 1432, H.D. 1

February 26, 2015

RELATING TO THE INTERIM ASSISTANCE REIMBURSEMENT SPECIAL FUND

House Bill No. 1432, H.D. 1, establishes the Interim Assistance Reimbursement Special Fund into which shall be deposited reimbursements received from the Social Security Administration on behalf of recipients who have been retroactively approved for supplemental security income after receiving State-funded interim assistance payments.

The Department of Budget and Finance (B&F) defers to the Department of Human Services regarding the technical issues and merits of the bill. However, as a matter of general policy, B&F does not support the creation of any special fund which does not meet the requirements of Section 37-52.3 of the HRS. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to House Bill No. 1432, H.D. 1, it is difficult to determine whether there is a clear nexus between the benefits sought and the source of funding, and whether the fund will be self-sustaining.

I encourage the Legislature to review the fiscal and operational plan for this fund to ensure that it does conform to the requirements of Section 37-52.3, HRS.



PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

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TO: Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair
Members, House Committee on Finance

FROM: Scott Morishige, MSW
Executive Director, PHOCUSED

HEARING: **Thursday, February 26, 2015 at 11:00 a.m. in Conf. Rm. 308**

Testimony in Support of HB1432 HD1, Relating to the Interim Assistance Reimbursement Special Fund.

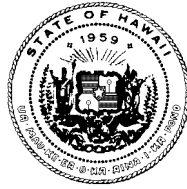
Thank you for the opportunity to provide testimony in **support** of HB1432 HD1, which would address fluctuations in the amount of General Assistance payments made to disabled individuals by establishing the Interim Assistance Reimbursement Special Fund to allow the Department of Human Services (DHS) to retain interim assistance reimbursements received for a prior fiscal year, as opposed to the current requirement that these funds be deposited into the general fund. PHOCUSED is a nonprofit membership and advocacy organization that works together with community stakeholders to impact program and policy change for the most vulnerable in our community, including the disabled and recipients of public assistance.

Many of our member organizations serve individuals who receive general assistance (GA) benefits from the State's Department of Human Services (DHS). GA is a benefit awarded to individuals with a disability that prevents them from being able to work, and who often have no or very little income. However, GA is a block grant program and, as a result, DHS must adjust GA payments to remain within the GA appropriation when caseloads increase or decrease. For FY2014-2015, DHS is projecting that GA benefits may need to be decreased from \$348 per month to as low as \$150 per month if additional funds are not received.

This bill will provide a mechanism for DHS to stabilize GA payment amounts and avoid having to routinely reduce benefits when caseloads increase. Specifically, it will enable DHS to retain funds reimbursements from the Social Security Administration for benefits that public assistance recipients received while their applications for Supplemental Security Income (SSI) are pending. Currently, DHS is not able to retain reimbursements received for a prior fiscal year, and these funds are instead deposited into the State general fund. By retaining the reimbursements, DHS will be able to use the funds in the special fund to supplement state funded programs, such as GA, to avoid reductions in benefits when caseloads rise.

It is critical that the State provide DHS with the tools needed to prevent disruption in benefits to GA recipients, who are disabled and are among our state's most vulnerable residents. A disruption in benefits for those on GA could mean the difference between being housed and homeless, and could cause detrimental impacts on an individuals' health.

Once again, PHOCUSED urges your support of this bill. If you have any questions, please do not hesitate to contact PHOCUSED at 521-7462 or by e-mail at admin@phocused-hawaii.org.



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

LATE

February 26, 2015

MEMORANDUM

TO: The Honorable Sylvia Luke, Chair
Committee on Finance

FROM: Rachael Wong, DrPH, Director

SUBJECT: **H.B. 1432 HD 1 - INTERIM ASSISTANCE REIMBURSEMENT
SPECIAL FUND**

Hearing: Thursday, February 26, 2015, 11:00 a.m.
Conference Room 308, State Capitol

PURPOSE: The purpose of this bill is to establish the Interim Assistance Reimbursement Special Fund into which reimbursements received from the Social Security Administration will be deposited for state-funded financial assistance payments and programs to assist individuals to qualify for supplemental security income.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports this measure and offers the following comments.

A special fund is needed to receive and retain reimbursements from the Social Security Administration (SSA) for state-funded financial assistance payments for the following reasons:

- The current general fund appropriation process is by block grant. In a positive economic climate, the block grant process is sufficient. However, in economic down turns, the block grant process is inflexible and leaves the DHS with little option other than to: 1) reduce monthly allotments to disabled single adults to

insufficient levels which leads to instability; 2) terminate monthly allotments to disabled single adults which leads to instability; and/or 3) during the legislative session, request an emergency appropriation to complete the fiscal year. The ability to receive and retain the entire amount of the interim assistance reimbursement across fiscal years would obviate the DHS's necessity to reduce or terminate monthly allotments, and DHS would avoid a request for emergency appropriations.

- There is a clear nexus between the intended deposits from the federal SSA for reimbursements for state-funded benefits paid to disabled adults pending the Social Security benefits application process. The Interim Assistance Reimbursement (IAR) agreement between the State of Hawaii and the SSA is specific to the federal government reimbursing the State of Hawaii for state-funded benefits provided to disabled adults through the DHS.
- The special fund will be financially self-sustaining if the total sum of the IAR is allowed to be retained in the fund across fiscal years. The average annual receipts of IAR from the SSA for the last three fiscal years has been \$1,778,794, with the average of \$1,106,428 being returned to the general fund per year because the IAR is received from the SSA in a different fiscal year than the year state-funded benefits were provided. The legislature previously appropriated funds to the DHS for Supplemental Security Income (SSI) advocacy services to assist disabled adults with their SSA application and review process, which if approved, provides greater stability by increasing the individual's monthly allowance amount, and supports the continual reimbursement process between the SSA and DHS.

The DHS provides further comments in support of the position. In accordance with section 346-57, Hawaii Revised Statutes (HRS), state-funded financial assistance is paid to

qualified General Assistance (GA), Aid to Aged, Blind and Disabled (AABD) and Temporary Assistance for Other Needy Families (TAONF) state-funded program recipients while their applications for federal SSI benefits is pending a determination by the federal SSA.

The average length of time for an initial SSI determination takes 30 days to three months. If the SSI application is denied, a request for reconsideration is filed that could add an additional 60 days until a decision is rendered. If the reconsideration is denied, a request for a disability hearing is filed; the administrative law judge presides over the disability hearing. The disability hearing process may take an additional 12 months or more.

When an application for SSI is approved, the SSA will retroactively reimburse Hawaii for the state-funded assistance provided to the applicant. If the IAR from the SSA is received in the same fiscal year in which the state-funded benefits were paid, the DHS is allowed to retain the amount and the amount is put back into, primarily, the GA program allotment.

However, in the majority of cases, the IAR is not received in the same fiscal year in which the state-funded benefits were paid. In these cases, the DHS is not allowed to retain the IAR received for a prior fiscal year and is required to deposit the IAR for a prior fiscal year into the general fund. If DHS were allowed to retain these IAR funds, or the funds could be placed in a special fund as proposed, the DHS could potentially sustain the GA program through economic down turns and increases in caseload, and the DHS would avoid having to make requests for emergency appropriations.

Pursuant to section 346-53(b), HRS, the GA program is a block grant program. The DHS must adjust GA payments to remain within the GA appropriation when caseloads increase or decrease. The GA program is the largest of the three programs in which recipients apply for SSI benefits, and therefore, the GA program receives the largest IAR amount.

Because of this block grant structure and the ebb and flow of the GA caseload, GA benefits are continuously in a state of fluctuation in order to stay within the general fund

appropriation structure; this results in instability for households who already live far below poverty levels.

To stabilize payments to beneficiaries at an equitable benefit amount and to reduce the future need for emergency appropriations for the GA program, this bill proposes to allow the DHS to retain the IAR from prior fiscal years in a new special fund, designated as the IAR special fund, to be used specifically for the benefit payments for the DHS state-funded financial assistance programs.

In SFY 2012, the payment level began at \$353, but due to caseload increases the benefit payment amount was reduced to \$319 in October 2011. The benefit payment would have been reduced further to \$275 in April 2012 without the approval of an emergency appropriation of \$736,478 in general funds by the 2012 Legislature.

In SFY 2013, the payment level began at \$319. A projected rise in the caseload required a reduction in the monthly benefit to \$298 in February 2013 and remained at \$298 for the rest of the fiscal year.

In SFY 2014, the monthly benefit payment began at \$298 and was readjusted upward to \$319 in October 2013 based on a slight decline in caseload. The monthly benefit payment was adjusted upward to \$348 in April 2014 and remained at that amount for the balance of the fiscal year.

In the current SFY 2015, the payment level began at \$348 serving 5,616 clients. The caseload has been increasing at an average rate of 1.192% since the beginning of the current fiscal year and the caseload reached 5,812 in December 2014. In order to maintain the payments at the current level of \$348 through the close of the fiscal year, the Governor submitted the current request for emergency appropriation (HB938 HD1/SB1107) for \$2,514,822.

In all the fiscal years referenced above, the appropriation for the GA program was level at \$21,289,056 for each fiscal year. A budget request was submitted to the legislature in the 2014 session for consideration to increase the appropriation to stabilize the benefit amounts while working within the given block grant structure of the program, however, there was no concurrence to the budget request.

If the total IAR amount (which is reimbursement specifically for the state-funded benefit payments made during the period of time from the date of the SSI application until approval) had been available in the referenced fiscal years, the emergency appropriation request would have been avoided and stability to the GA benefits would have been achievable.

As an example, in SFY 2012, if the DHS been able to retain the \$897,335 in SSI reimbursements that eventually lapsed to the general fund, the emergency appropriation of \$736,478 to maintain and stabilize payment levels for that year would not have been necessary.

The \$1,056,219 which lapsed to the general fund in SFY 2013 would have allowed the DHS to increase monthly payments to \$325 and avert the reduction to \$298 that occurred in February 2013. If a similar reimbursement were to be applied to the SFY 2014 caseload which had experienced a slight decline, a payment increase to \$337 would have been possible.

Because the reimbursements are based on the approvals of the SSI applications by the SSA, and because of the varying duration of approvals which could potentially take anywhere between three months to two years or more, it is difficult to confirm an exact amount that could be realized in a given fiscal year. However, the DHS does know that reimbursements are received annually and in the SFY period of 2012 – 2014, the following amounts were received:

SFY 2012: \$1,529,409 total; \$632,074 retained and \$897,335 lapsed to the general fund;

SFY 2013: \$1,679,716 total; \$623,496 retained and \$1,056,220 lapsed;

SFY 2014: \$2,127,257 total; \$761,528 retained and \$1,365,729 lapsed.

The Department can reasonably estimate receiving IAR at an average of \$1,778,794 per year, which would make the IAR special fund self-sustaining.

Although the DHS does not anticipate a significant amount of funding that would carryover to subsequent fiscal years, as these funds will likely be utilized annually to avert reductions when caseloads rise or if there is an increase to the standard of assistance. The DHS recommends that this special fund be limited to a carryover of no more than \$3,000,000 in a given fiscal year, and any carryover balance in excess of \$3,000,000 shall be lapsed to the general fund. Upon dissolution of the IAR special fund, any unencumbered moneys in the fund shall lapse to the general fund.

Further, the DHS may report to the Legislature detailing the amount and basis for the expenditure, within a reasonable time of a transfer of funds out of the special fund.

Thank you for the opportunity to provide comments on this bill.